Financing for Development

"In 2002, we created the Monterrey Consensus, a bold approach that links new aid from developed nations to real reform in developing ones." — President George W. Bush

Monterrey Consensus

The International Conference on Financing for Development at Monterrey in March 2002 articulated a new model for development. The Monterrey Consensus emphasizes the primary responsibility of developing nations for achieving their own growth and prosperity. This responsibility comes with a commitment from both developed and developing countries to create and maintain open trade and investment regimes, and with additional and more effective assistance from developed countries.

Balanced Approach

The 2002 Monterrey Consensus on Financing for Development (FfD) represented an innovative and practical framework that recognizes the importance of a balanced approach to development. It emphasizes as key elements the need for developing countries to promote good governance and implement sound economic policies, and the value of trade, investment, and other private sector flows as drivers of sustained economic growth, with aid as a potential catalyst.

From November 29 to December 2, 2008 in Doha, United Nations member states will review progress on the Monterrey Consensus and should use the opportunity to re-commit to the principles agreed upon in 2002.

Results

There have been notable development successes since the adoption of the Monterrey Consensus:

- High and sustained levels of economic growth in most developing countries have led to a substantial reduction in global poverty rates;
- Foreign Direct Investment (FDI) support for infrastructure projects in developing countries has rebounded rapidly, increasing more than 80% since 2003, reaching nearly $380 billion in 2006;
- Strong growth in exports from most developing countries since 2002 have contributed to the high levels of GDP growth in those countries;
    - According to the World Trade Organization, "trade expansion in 2006 was very favorable for the developing countries as a group. Their combined merchandise exports rose by 20%, to $4.27 trillion, and imports rose by 17%. The share of developing countries in world merchandise exports reached 36%, an all-time record level."
- There have been substantial increases in levels of Official Development Assistance (ODA) and a significant rise in combined ODA for Sub-Saharan Africa from G8 countries;
- Improvement in debt sustainability has occurred in both low and middle-income countries. Debt servicing levels are substantially lower, and some countries repaid or prepaid debt while borrowing at more competitive rates in the international capital markets;
    - The enhanced Heavily Indebted Poor Countries' (HIPCs) initiative and additional debt relief provided by the Inter-American Development Bank have cancelled $49 billion in HIPC debt. The Multilateral Debt Relief Initiative (MDRI), after two years of implementation, has eliminated over $38 billion in debt service—making a total of $87 billion in debt relief for 25 countries in Africa and elsewhere;
- Developing countries have increased their participation in international decision-making and norm-setting processes.

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